



**MINUTES FROM THE INVESTMENT COMMITTEE
OF THE PLANS MANAGEMENT BOARD
November 19, 2019**

A meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on November 19, 2019, 10:00 a.m., in the Buck Library at the Buena Vista Conference Center, 661 S. Dupont Highway, New Castle, DE 19720.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair
Mr. Todd Roselle, Committee Member-by phone
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary of Finance)
Mr. Robert Scoglietti, Director of Policy and External Affairs, Office of Management and Budget (on behalf of Mr. Michael Jackson, Director of Office of Management and Budget)
The Honorable Colleen C. Davis, State Treasurer

Committee Members Not Represented or in Attendance:

Mr. Jose Echeverri, Committee Member
Mr. Porter Schutt, Committee Member

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Liza Davis, Deputy Treasurer, Office of State Treasurer (“OST”)
Mr. John Meyer, Director of Contributions and Plans Management, OST
Mr. Mike Green, Investments and Operations Manager, OST
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Partner, Cammack Retirement Group (“Cammack”)
Ms. Marie Villeneuve, Consultant, Cammack
Mr. James Duffy, Research Associate, Cammack
Ms. Denise Burns, Vice President, Cammack
Mr. Rob Peel-Account Manager, Cammack
Mr. Jeff Bowman-Investment Product Manager, Fidelity
Ms. Heather Zakian-Institutional Portfolio Manager, Fidelity
Mr. Roger Morrisette, Director, Retirement and Income Solutions, Fidelity

CALLED TO ORDER

The meeting was called to order at 10:03 a.m.

PRESENTATIONS

Investment Performance on Deferred Compensation Plans – Cammack

Ms. Villeneuve reviewed the third quarter performance of the deferred compensation plans. Assets in the plans totaled \$849.3 million, not including 403(b) legacy vendors assets totaling \$277.1 million. Assets in the plans reflected a quarterly increase of approximately \$10.8 million. Quarterly contributions to the plans were approximately \$18.6 million. Ms. Villeneuve indicated that the weighted average expense ratio of the funds was 0.34 percent, which is .15 percent less than the NAGDCA survey of similar sized plans.

Ms. Burns reviewed the investment highlights and provided analysis of the investment options. There was a discussion concerning the Templeton Global Bond R6 fund. Ms. Burns recommended that the fund be put on watch due to a manager change. Ms. Burns indicated that Cammack does not expect changes in strategy or investment processes. Ms. Burns also noted Morningstar reclassified its world bond strategy into its non-traditional bond category in the third quarter. The Committee will continue to monitor the Templeton fund.

Ms. Burns next discussed American Funds Washington Mutual R6 and the Target Date Series with the Committee. She stated that, due to compliance issues with a member of the investment staff of Capital Group, all funds in the group are being recommended for watch. While Capital Group has acknowledged the alleged wrong-doing and is planning internal reviews, Cammack wants to monitor the situation and evaluate the remedial actions taken by the company.

At the August meeting, the Committee suggested inviting JP Morgan to the November 2019 meeting. Mr. Phil Hart, Mr. Josh, Foreman, and Mr. Omar Afidi from JP Morgan spoke to the Committee via phone regarding the US Small Company R6 fund. Mr. Hart gave a high-level overview of the investment team. He also discussed past performance and attributions and gave an outlook on the market and the portfolio. Mr. Hart stated that the philosophy has not changed and remains focused on funds with attractive value and high quality. He also stated that the large and small mid-cap teams are not changing. Mr. Hart indicated that performance is expected to improve based on past data, which shows periods of underperformance historically leading to rebounds.

[Mr. Hart, Mr. Foreman, and Mr. Afidi left the meeting.]

Ms. Burns reviewed the different tiers of funds within the plans. As of September 30, 2019, Tier 1 held approximately 75.2 percent of the total assets (\$638.6 million). Ninety percent of plan participants are invested in target date funds. Tier 1 received nearly 75.6 percent of all new contributions last quarter. Most of the target date series vintages ranked in the top quartile for averaged annualized returns for the 3-, 5-, and 10-year performance periods. As of September 30, 2019, Tier 2 held approximately \$190.4 million, or 22.4 percent of total assets. Ms. Burns stated that Tier 2 received approximately 24.4 percent (\$4.5 million) of new contributions made within the third quarter. Finally, Tier 3 held approximately \$20.3 million, representing 2.4 percent of total assets as of September 30, 2019.

Cammack reported on the Voya Fixed Plus Account, which had a credit rating of 1.55% percent as of September 30, 2019.

[Ms. Scola entered the meeting]

[Treasurer Davis left the meeting]

Recommendation to appoint official designee for State Treasurer

The Committee discussed the recommendation to appoint Deputy Treasurer, Liza Davis, as the official designee for Treasurer Davis.

A MOTION was made by Treasurer Davis and seconded by Mr. Colberg to appoint Deputy Treasurer, Liza Davis, as her official designee.

MOTION ADOPTED UNANIMOUSLY

RECOMMENDATION PASSED UNANIMOUSLY

Investment Performance on College Investment Plan – Cammack

Mr. Duffy reviewed third quarter plan performance for Delaware's 529 plan. Third quarter plan assets were \$666.7 million, with 76 percent of assets (\$506.7 million) in the age-based option and 24 percent of assets (\$160.0 million) allocated to static portfolios.

Mr. Duffy noted that the active age-based option and the index age-based option outperformed for the quarter and continue to be strong performers for the plan in a volatile market environment. The multi-firm age-based option showed relative outperformance versus the majority of their composite benchmarks.

Mr. Duffy stated that, beginning October 1, 2019, the multi-firm age-based option will no longer be an active option. The new blended age-based option was introduced on October 1, 2019 and will continue to be monitored for performance moving forward.

APPROVAL OF MINUTES

A MOTION was made by Ms. Scola and seconded by Mr. Scoglietti to approve the minutes from the Committee meeting on August 20, 2019.

MOTION ADOPTED UNANIMOUSLY

DISCUSSION AND ACTION ITEMS

Watch List Discussion and Recommendations

The Committee discussed the recommendation of placing Templeton Global Bond R6 on watch due to a recent manager change. Cammack stated that it does not expect changes in strategy or investment processes. The Committee decided to continue to monitor the fund's performance.

MOTION was made by Ms. Scola and seconded by Mr. Scoglietti to recommend to the Board that it not place Templeton Global Bond R6 on watch.

MOTION APPROVED UNANIMOUSLY

Recommendation Regarding Placement of American Funds Washington Mutual R6 and Target Date Series on watch

The Committee discussed putting both American Funds options on watch due to compliance concerns related to investment staff.

MOTION was made by Ms. Scola and seconded by Mr. Scoglietti to recommend to the Board that it place American Funds Washington Mutual R6 and Target Date Series on watch.

MOTION APPROVED UNANIMOUSLY

The Committee discussed and agreed to keep JP Morgan US Small Company R6 on watch due to underperformance. No recommendation was needed to maintain the fund on watch status.

Discussion of Investment Policy Statement-College Investment Plan

Mr. Meyer stated that there was minimal feedback on the proposed IPS for the 529 plan. The Committee discussed tabling discussion on the policy and forming a working group to review and bring back to the Committee at an upcoming meeting.

Recommendation Regarding Discussion of the Consultant Agreement Extension through March 31, 2019

Mr. Meyer addressed the Committee regarding the current pending Request for Proposal for the Board's investment consultant. In order to give the evaluation committee enough time to thoroughly evaluate the proposals, Mr. Meyer recommended an extension of the current contract for a period of three months, through March 31, 2019.

**MOTION was made to recommend to the Board that it extend the current investment consultant contract through March 31, 2019 by Ms. Scola and seconded by Mr. Scoglietti.
MOTION APPROVED UNANIMOUSLY**

Recommendation Regarding Fidelity's Proposed Changes to 529 Investment Management Agreement

Mr. Meyer reviewed with the Committee several proposed changes to the Fidelity Investment Management Agreement. The changes related to non-substantive entity changes and certain changes needed to accommodate the new blend option. The changes were vetted by both OST and Cammack.

**MOTION was made by Ms. Scola and seconded by Mr. Scoglietti to recommend to the Board that it approve Fidelity's proposed changes to the Investment Management Agreement.
MOTION APPROVED UNANIMOUSLY**

PUBLIC COMMENTS

No members of the public made a comment.

NEXT MEETING

The next meeting of the Board is scheduled for December 10, 2019.
The next meeting of the Committee is scheduled for February 18, 2020.

ADJOURNMENT

**A MOTION was made by Mr. Scoglietti and seconded by Ms. Scola to adjourn the meeting of the Committee at 11:45 p.m.
MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee